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ARIZONA CORPORATION COMMISSION

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June 10, 2008

Chairman Gleason
Commissioner Hatch-Miller
Commissioner Mayes
Commissioner Pierce

Re: Application of Johnson Utilities, LLC for an increase in its water and wastewater rates for customers within Pinal County; Docket No. WS-02987A-08-0180

ADEQ Notice of Violation to Johnson Utilities, LLC

Dear Colleagues:

As you know, the Arizona Department of Environmental Quality ("ADEQ") issued a Notice of Violation ("NOV") to Johnson Utilities, LLC on Friday, June 5, 2008. The NOV was issued for the sanitary sewer overflows ("SSOs") from the Pecan Water Reclamation Plant ("WRP") during the weekend of May 17-18.

On page 2 of the NOV, the second alleged violation caught my attention. According to the NOV, the lift station at the Pecan WRP was approved based on an engineering design report that described the installation of two 75 horsepower pumps. However, at the time of the SSOs, 35 horsepower pumps were operating at the lift station. I would like to know why that was the case and if the difference in pumps was a contributing factor to the SSOs.

Johnson Utilities has filed a rate case as ordered by this Commission. While the filing has not yet been found sufficient by Staff, I think that ADEQ's NOV and the Company's response should both be filed in that docket¹, as well as any subsequent documentation regarding the NOV. It is my understanding that the Pecan WRP is not currently in the Company's rate base. However, the discrepancy between ADEQ records and the actual plant raises a red flag in my mind and may justify a higher level of scrutiny of the Company's plant in the rate case.

¹ Docket No. WS-02987A-08-0180.

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Depending upon the pace at which the rate case progresses, it may become necessary for the Company to provide answers to this Commission at a Special Open Meeting.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, reading "William A. Mundell". The signature is fluid and cursive, with the first name "William" being the most prominent part.

William A. Mundell, Commissioner
Arizona Corporation Commission

cc: Brian McNeil
Rebecca Wilder
Ernest Johnson
Lyn Farmer
Janice Alward
Johnson Utilities, LLC
Steve Owens, ADEQ